



United States
Department of
Agriculture

Fact Sheet

Upland Cotton

Locking the Adjusted World Price (AWP) for Loan Deficiency Payments on Upland Seed Cotton

Program Overview

A new provision for the 1999-crop upland cotton program allows producers to request loan deficiency payments (LDP) on cotton and lock in the world price for computing such payments after harvest but before the cotton is ginned. LDPs will continue to be payable only after the cotton has been ginned and classed.

An LDP is a payment made to a producer who, although eligible to obtain a marketing assistance loan, agrees to forgo the loan in return for the LDP. LDPs are available only when the adjusted world price for upland cotton is below the loan rate.

Eligible Producer

A producer is eligible to receive a marketing assistance loan or LDP if the producer shares in the risk of producing the cotton and has beneficial interest in the cotton for which the LDP is requested.

Eligible Cotton

Cotton must have been produced and harvested on a farm having an approved Production Flexibility Contract and meeting other program requirements. If a request for an LDP is made, the request is irrevocable and the cotton becomes ineligible for a marketing assistance loan. However, seed cotton for which the LDP is requested remains eligible for a seed-cotton recourse loan. Cotton for which a seed-cotton loan has been provided is eligible for this AWP lock-in for LDPs.

Cotton is eligible for this lock-in after harvest, but before ginning, while stored in cotton modules, ricks, or trailers. (These various units of storage are hereafter referred to as modules.)

Availability Date

LDPs based on a locked AWP are available through May 31 of the calendar year after the calendar year in which the crop was planted. This is the same availability period as provided for marketing assistance loans.

If production evidence corresponding to the lock in is not provided by May 31, the LDP request is void and the cotton is ineligible for marketing assistance loans and LDPs.

Obtaining an AWP Lock-InStep 1.

Prior to requesting a lock-in, producers must obtain module numbers from an approved gin and affix that number to the cotton in filled modules, ricks, or trailers. A lock-in is not provided on empty storage units or on duplicate gin-provided module numbers. In the event of duplicate numbers, the lock-in will apply only to the first unit to which such number was affixed.

Step 2.

A producer requests lock-in by completing Form CCC-Cotton AA, Upland Cotton Producer's Loan Deficiency Payment Application and Certification. This form establishes the date of the LDP request and the AWP on that date that will be locked.

The form contains the following statement: "The producer agrees to provide documentation from the gin that identifies the tags of bales produced from the module for which the AWP lock in applies." Signing this form obligates the producer to provide documentation from the gin identifying the specific bales produced from the module.

At the time of the LDP request, the producer also complete Form CCC-877, Seed Cotton Loan Worksheet. This form is used only for the purpose of identifying the gin, the type of storage unit, and the gin-supplied module numbers.

Step 3.

The producer provides documentation from the gin that identifies the individual bales by tag number that were produced from the module for which the AWP lock in was provided.

Certification

Incorrect certifications will be treated as violations according to regulations in the Code of Federal Regulations at Section 1427.18, Liability of the Producer.

Production Evidence

To receive LDPs on production covered by this lock-in request, the producer must provide acceptable production evidence according to Handbook 7-CN paragraph 241 on or before May 31. Production evidence must show the date each bale is ginned and the module number.

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